

# Short Cycle Implementation and Market Impact

## Why Was Short Cycle Dispensing Proposed?

- CMS was focusing on ways to reduce waste associated with 30-day cycle fills, reduce costs, protect the environment and discourage diversion
- CBO scoring was approximately \$6 billion over 10 years
- Even today there is no clear study or analysis that supports this projected savings

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## Section 3310 Healthcare Reform Act (HRA) and Short Cycle Dispensing

- Short cycle for ALL branded and generic drugs including liquids, ointments, parenterals, inhalers, etc.
- No exclusion of MMHR or assisted living
- No exclusion for rural pharmacy
- No clear definition of what dispensing fees should include
- Automation would be the answer to most dispensing challenges
- Dispensing fee would be determined by dispensing methodology and use of technology
- No expectation that dispensing fee would increase in volume or costs
- No expectation that pharmacies would be fairly compensated for additional dispensing fees

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## LTC Industry Responds

- Anecdotal feedback to CMS that including brand and generics would eliminate any savings from the CBO score of approximately \$6 billion
- CBO score of approximately \$6 billion was predicated on a Part A calculation that was not indicative of Medicare D patient population or utilization
- Industry stakeholders, including MHA, met with CMS to educate them on short cycle as proposed in the original Section 3310 of the Health Care Reform Act
- Education of CMS and other governmental stakeholders on reality of impact to beneficiaries, LTC facilities and LTC providers by MHA. MHA members involved in congressional fly-ins and meetings.

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# Short Cycle Implementation and Market Impact

**November 11, 2010:**  
**Proposed Regulations Published**

- Advanced copy released for comment on November 11, 2010
- Official release in *Federal Register* on November 22, 2010
- Public comment due January 11, 2011
- Final rule expected in late March/early April 2011
- Projected effective date: January 1, 2012

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**Proposed Regulations**

- Exclusion of generic drug
- Exclusion of MMHR and assisted living
- Expanded definition of dispensing fee
- Inclusion of restocking, reuse, returns, etc
- Need for PDP's to have contractual process for pharmacies to accept unused drug and report on brand and generic products
- Exclusion of drugs for acute care illness, eye drops, ear drops, inhalers and inhalation drugs, topical medications and drugs that must remain in their original containers
- CMS formally notes an anticipated increase in dispensing fees

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**Challenges to Implementing Short Cycle as Proposed**

- Additional dispenses go from 1 to 4 and who pays for this?
- Unclear reuse, restocking and return guidelines—as written certain states allow it and others do not. Lack of clarity on who pays for this new process
- What is process and cost for tracking waste provision and reporting back to the plans for ALL returned drugs and who pays for it?
- Who is paying for additional staffing and potential Hazmat costs on required returns?
- Does this additional return of waste change pharmacy from Small Waste Generator (SWG) to Large Waste Generator (LWG) and what additional cost and liability obligations result?

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# Short Cycle Implementation and Market Impact

## Challenges to Implementing Short Cycle as Proposed

- Perception that technology will reduce waste while it drives up initial costs to purchase. No one product filling all needs and no directive from CMS to pay for this technology.
- Part D plans must collect dispensing methodology data from each dispensing event – What does that even mean? (i.e. package size, billing method, etc.)
- Co-pay management – is it plan-driven or dispensing methodology-driven?
- Refill too soon – how does that work in 7-day dispensing and will all plans adopt same methodology?
- Dispensing fee definition expanded to include costs associated with technology and maintenance investment, differentiation among methodologies with a “Carrot Approach” for quick adoptees

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## Industry Stakeholders Who Responded to Proposed Short Cycle Regulations

- AAHSA
- ACHA/NCAL
- Advanced Pharmacy
- AHIP
- Amerisource Bergen
- APhA
- ASCP
- BCBSA
- Kaiser
- LTCPA
- McKesson
- MEDPAC
- NACDS
- NCPDP
- Omnicare
- PCMA
- PharMerica
- PhRMA

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## Key Industry Stakeholders Feedback to Proposed Regulations

- Majority felt a need for clarity in paying for multiple dispense fees
- Majority felt that delaying entire implementation or utilizing a pilot project to determine actual waste was critical to clearly understanding real cost
- Majority felt that the current reuse, restocking and credit issue was confusing and legality within states makes it unmanageable
- Majority felt that the reporting of waste and cost data was not fully vetted, therefore there should be a delay of entire implementation

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